

Saskatchewan Economic and Financial Position



December, 1987



**Saskatchewan
Finance**

The Hon. J. Gary Lane, Q.C.
Minister of Finance

88-01503/

Report from the Minister of Finance



I am pleased to present the annual summary report on Saskatchewan's economic and financial position.

This Report provides the latest information on Saskatchewan's economic performance for the 1986 calendar year and the Government's preliminary financial results for the fiscal year ended March 31, 1987.

During the last few years, the people of Saskatchewan have had to deal with a variety of economic difficulties: from the vagaries of weather to the effects of trade barriers on our products and the impacts of a steep drop in commodity prices.

In spite of these difficulties, Saskatchewan's economy continued to demonstrate its resilience. Real Gross Domestic Product in constant 1981 dollars increased by 6.3 per cent in 1986, the highest rate of growth since 1975. Other key economic indicators reflect the strength of the Saskatchewan economy in 1986:

- personal income per capita increased by 9.5 per cent;
- housing starts were up by 2.9 per cent; and
- retail sales grew by 6.3 per cent.

Saskatchewan's unemployment rate remained among the lowest in Canada, dropping from 8.1 per cent in 1985 to 7.7 per cent in 1986. Only two other provinces matched this performance. The province's unemployment rate continued to be substantially lower than the national rate. This is the result of the province's job creation performance. From 1982 to 1986, 31,000 jobs have been created.

The inflation rate continued to fall. As measured by the Consumer Price Index, the average rate of inflation in Saskatchewan decreased from 3.6 per cent in 1985 to 3.1 per cent for 1986. Again, Saskatchewan's inflation rate was substantially below the national rate of 4.1 per cent.

Agriculture is a major part of the Saskatchewan economy. Wheat remains Saskatchewan's principal export crop and accounts for nearly three-quarters of the province's total grain

output. Wheat production increased from 12.9 million tonnes in 1985 to 18.4 million tonnes in 1986, up 43 per cent.

Other major crops, including barley, canola, flax, rye and oats, also recorded substantial gains, increasing from 6.4 million tonnes in 1985 to 7.0 million tonnes in 1986.

Overall, the province had a record harvest of 25.3 million tonnes of the six major grains and oilseeds in 1986.

However, poor weather during the harvest lowered the quality of the crop. Less than 60 per cent of 1986 wheat production fell into the top two grades, compared with an average of approximately 75 per cent during the previous ten years. Despite this setback, crop production in 1986 exceeded the five year average of 19.5 million tonnes by 29.7 per cent.

Saskatchewan's agricultural sector continues to face a volatile world market. A worldwide excess of grain, along with the subsidy war between the United States and the European Economic Community, has depressed agricultural commodity prices and has imposed a heavy economic burden on Saskatchewan farmers. This was shown in 1986 by a 12.8 per cent decline in the value of grain exports, measured in current dollars. As a result, farm receipts dropped 1.4 per cent.

The Government responded with the introduction of the Production Loan Program in 1986 to help Saskatchewan's besieged farm community. Over \$1.0 billion in low-interest loans were extended to Saskatchewan farmers under this Program by March 31, 1987. As well, livestock producers received cash advances totalling \$47.8 million in 1986-87. And the Government distributed an estimated \$42 million in farm fuel rebates to farmers.

Further support came from \$477 million in payments from the Western Grain Stabilization Fund and \$290 million in payments from the Crop Insurance Program. In addition, in the first half of 1987, farmers received \$382 million in stabilization payments and \$415 million was also provided under the federal Special Canadian Grains Program.

Saskatchewan is rich in mineral resources. Among the province's principal exports are oil, potash and uranium. Saskatchewan is the second largest oil producer in Canada. In 1986, the oil industry suffered a serious setback as oil prices fell by more than half from their 1985 levels. As a result of this decline, drilling activity dropped from 3,851 wells in 1985 to 1,079 wells in 1986.

In recent years, Saskatchewan potash production has accounted for about 25 per cent of world output. Owing to lower world demand and falling prices, the value of potash sales decreased from \$622 million in 1985 to \$550 million in 1986. In 1987, protectionist trade barriers threatened sales to the American market which traditionally consumes 65 per cent of the province's potash production. This action placed an additional burden on an industry already beset by serious problems.

Saskatchewan is the largest uranium producer in Canada and possesses some of the lowest-cost high grade uranium ore reserves in the world. Average prices paid to Saskatchewan producers dropped from \$62.20 per kilogram in 1985 to \$61.41 per kilogram in 1986. However, 1986 also saw the world-wide consumption of uranium fuel exceed mine production for the second consecutive year, leading to an improvement in spot market prices of nearly 9 per cent.

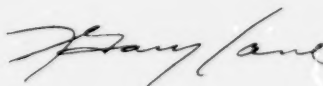
The deterioration in world commodity prices was reflected in the Province's financial situation for fiscal year 1986-87. Provincial revenues dropped from \$3,049 million in 1985-86 to \$2,801 million in 1986-87, primarily due to declining oil receipts. At the same time, demands on government

expenditures increased, pushing spending up to \$4,033 million. The net result was a deficit of \$1,232 million for 1986-87.

As custodian of the public purse, the Government initiated a carefully designed program of fiscal management in March 1987. The key objective of this program was to improve the management of government operations in order to provide a solid foundation for future economic development and diversification while protecting essential government programs. As a result of this program, the 1987-88 deficit was forecast in June to be \$577 million.

Uncertainty in world financial markets has undermined the confidence of consumers and investors. The events of this Fall have led to a growing fear that the world economy is at risk.

The Government continues to monitor the situation carefully and is confident that the economic and fiscal path set forth in the 1987 Budget will guide Saskatchewan through this economically volatile period.



J. Gary Lane, Q.C.
Minister of Finance

Economic Highlights

Gross Domestic Product

Saskatchewan's Gross Domestic Product at current market prices, the measure of the total value of goods and services produced in the province, rose 4.7 per cent in 1986 to \$18,043 million.

In terms of constant 1981 dollars, Saskatchewan's real Gross Domestic Product rose 6.3 per cent in 1986 to \$16,392 million. Real Gross Domestic Product measures the volume of goods and services produced, after adjustment of current dollar Gross Domestic Product for price changes.

Growth in real Gross Domestic Product last year was led by accumulations of grain inventories following the record 1986 crop. A 3.5 per cent increase in the real value of consumer expenditure also contributed significantly to the increase in the value of the year's total economic output in constant 1981 dollars.

The data for Saskatchewan's Gross Domestic Product and component accounts reported here differ from those presented in the June 1987 Budget Address as the Provincial Economic Accounts have been revised to conform with recent changes to Canada's National Accounts. These changes include the incorporation of methodological improvements, statistical revisions and the conversion of the constant dollar series from 1971 dollars to 1981 dollars.

It should be noted that the 1986 Gross Domestic Product estimates reported in this publication are based on preliminary data and are subject to revision.

Personal Income

Personal income totalled \$15,867 million in 1986, an increase of 9.9 per cent from 1985. In 1986, per capita personal income increased by 9.5 per cent over 1985 to \$15,541.

Wages, salaries and supplementary labour income, accounting for 50.3 per cent of total personal income, increased 5.8 per cent. Net income received by farm operators from farm production, which includes the value of farm inventory changes, rose by 66.8 per cent as inventory accumulation accelerated.

Consumer Prices

Regina's inflation rate, as measured by the change in the Consumer Price Index, averaged 2.1 per cent in 1986, down from the 3.7 per cent rate averaged during 1985. Regina had the third lowest inflation rate in 1986 among the 16 cities surveyed by Statistics Canada. For Saskatoon, the Consumer Price Index increase in 1986 averaged 4.1 per cent, up from the city's 1985 average rate of 3.5 per cent. The national inflation rate averaged 4.1 per cent during 1986.

Population and Labour Force

Saskatchewan's population on June 1, 1986 was estimated at 1,021,000, an increase from the 1985 level of 1,017,800.

The provincial labour force rose to an average level of 495,000 in 1986 from 491,000 in 1985. Total employment averaged 457,000 in 1986, up 5,000 from the previous year.

Saskatchewan unemployment fell from an average level of 40,000 in 1985 to 38,000 in 1986. The unemployment rate averaged 7.7 per cent during 1986, below the average 1985 rate of 8.1 per cent. The province had one of the three lowest average unemployment rates in Canada in 1986.

Agriculture

Production of the six major grains and oilseeds rose 32 per cent in 1986 to a record 25.3 million tonnes. However, low grain prices and poor weather late in the growing season contributed to a 4.9 per cent decline in farm cash receipts from crop deliveries. Total farm cash receipts decreased by 1.4 per cent in 1986 to \$4,000 million despite a 4.7 per cent rise in receipts from livestock sales and increased payments from the Western Grain Stabilization Fund and Crop Insurance.

Increases in income in kind and supplementary payments, together with a 0.2 per cent decline in operating and depreciation charges, resulted in a 5.6 per cent increase in realized net farm income in 1986 to \$739 million.

Minerals

The total value of mineral sales fell to \$2,543 million in 1986, a drop of 33.2 per cent. The value of sales of oil and potash decreased by 51.1 per cent and 11.6 per cent, respectively. The value of uranium sales increased by 0.2 per cent.

Oil and gas exploration activity declined in 1986. A total of 1,079 new wells were drilled in 1986, down from 3,851 in 1985.

Trade with the Rest of Canada and Abroad

Grains, crude oil and potash are Saskatchewan's principal exports, accounting for 58.3 per cent of the current dollar value of the province's total exports. Difficult international trading conditions contributed to a 12.8 per cent decline in the 1986 value of grain exports measured in current dollars. Measured in constant 1981 dollars, 1986 grain exports fell 14.7 per cent. Sharply lower international crude oil prices pushed the current dollar value of Saskatchewan oil exports down by 49.6 per cent. The volume of the province's oil exports rose 1.0 per cent. Weak demand caused the current dollar value of potash exports to drop 11.1 per cent. Real potash exports fell by 0.9 per cent.

Total Saskatchewan current dollar exports declined 18.3 per cent to \$6,186 million in 1986. Measured in constant 1981 dollars, they declined 4.2 per cent to \$7,413 million.

Following an increase in 1985, the current dollar value of Saskatchewan's total imports declined 1.8 per cent in 1986, to \$6,361 million. Total real imports declined 2.7 per cent to \$5,061 million.

Manufacturing and Retail Trade

The estimated value of manufacturing shipments increased by \$50 million to \$2,916 million in 1986. The 1986 growth rate of 1.7 per cent exceeded the 0.8 per cent rate of increase achieved in 1985.

The value of Saskatchewan retail trade rose \$295 million to \$4,999 million in 1986. The 6.3 per cent rate of increase was the highest among prairie provinces. Increased consumer spending on durables demonstrated consumer confidence in Saskatchewan.

Private and Public Investment

The value of private and public investment fell 7.8 per cent, or \$428 million, in 1986 to \$5,075 million. New capital investment fell 10.0 per cent to \$3,682 million while repair and maintenance spending declined 1.2 per cent to \$1,393 million.

The decrease in 1986 investment spending is attributable to depressed commodity prices. Total investment in new capital and repairs by Saskatchewan's mining sector alone (including oil and gas) fell \$617 million, or 49.2 per cent. Total agricultural investment fell \$39 million, or 4.3 per cent. On the other hand, increases in investment spending occurred in several other Saskatchewan sectors. Investment by the manufacturing sector, for example, rose \$103 million or 56.9 per cent in 1986.

Saskatchewan Economic Statistics

Calendar Year	1982	1983	1984	1985	Preliminary 1986
Gross Domestic Product - Current Prices - Millions of Dollars					
Personal Expenditure on Goods and Services	7,911	8,704	9,312	9,966	10,543
Government Expenditure on Goods and Services	2,864	3,054	3,351	3,635	3,842
Gross Fixed Capital Formation	3,823	4,107	4,033	4,249	3,886
Value of Physical Change in Inventories					
Non-Farm	(265)	(120)	274	61	129
Farm Inventories and Grain in Commercial Channels	129	(177)	(708)	290	927
Exports of Goods	7,203	7,449	8,512	7,567	6,186
Minus: Imports of Goods	5,751	6,114	6,186	6,477	6,361
Net Exports of Services and Residual Error	(1,109)	(1,729)	(2,076)	(2,054)	(1,108)
Gross Domestic Product	14,807	15,173	16,513	17,236	18,043
Annual Rate of Change (Per Cent)	3.3	2.5	8.8	4.4	4.7
Per Capita Gross Domestic Product (Current Dollars)	15,123	15,271	16,399	16,935	17,672
Gross Domestic Product - Millions of Constant 1981 Dollars					
Personal Expenditure on Goods and Services	7,268	7,502	7,716	7,969	8,248
Government Expenditure on Goods and Services	2,534	2,496	2,596	2,686	2,715
Gross Fixed Capital Formation	3,587	3,719	3,586	3,562	3,184
Value of Physical Change in Inventories					
Non-Farm	(243)	(147)	300	40	79
Farm Inventories and Grain in Commercial Channels	179	43	(653)	144	597
Exports of Goods	7,376	7,749	8,603	7,734	7,413
Minus: Imports of Goods	5,395	5,384	5,293	5,200	5,061
Net Exports of Services, Residual Error and Adjustments	(993)	(1,461)	(1,650)	(1,515)	(783)
Real Gross Domestic Product	14,312	14,517	15,205	15,420	16,392
Annual Rate of Change (Per Cent)	(0.1)	1.4	4.7	1.4	6.3
Per Capita Gross Domestic Product (1981 Dollars)	14,618	14,610	15,101	15,150	16,055
Gross Domestic Product at Factor Cost by Industry - Current Prices - Millions of Dollars					
Total Primary Industries and Construction	4,240	3,880	4,289	4,590	4,691
Agriculture	2,190	1,544	1,459	1,849	2,428
Forestry	50	45	49	45	47
Mining	1,181	1,445	1,962	1,896	1,283
Construction	808	834	807	785	918
Manufacturing	845	837	968	1,005	1,072
Transportation, Communication and Storage	1,131	1,231	1,343	1,389	1,473
Utilities	265	249	316	350	358
Trade	1,350	1,412	1,576	1,695	1,780
Finance, Insurance and Real Estate	2,063	2,644	2,869	3,198	3,394
Services	2,438	2,654	2,928	3,150	3,391
Public Administration	1,281	1,419	1,349	1,269	1,372
Gross Domestic Product at Factor Cost	13,614	14,324	15,637	16,646	17,530
Indirect Taxes Less Subsidies	1,193	849	876	590	513
Gross Domestic Product	14,807	15,173	16,513	17,236	18,043

Saskatchewan Economic Statistics (cont.)

Calendar Year	1982	1983	1984	1985	Preliminary 1986
Trade with the Rest of Canada and Abroad - Current Prices - Millions of Dollars					
Exports					
Grain	3,189	3,201	3,308	2,273	1,983
Crude Oil	1,418	1,706	2,015	2,133	1,074
Potash	643	686	829	621	552
Manufactured Goods to Rest of Canada	731	753	802	808	811
Other	1,221	1,102	1,559	1,732	1,765
Total Exports	7,203	7,449	8,512	7,567	6,186
Imports					
Crude Oil	336	342	367	368	228
Natural Gas	180	179	174	135	102
Manufactured Goods from Rest of Canada	2,373	2,589	2,856	3,061	3,129
Other	2,862	3,006	2,789	2,913	2,902
Total Imports	5,751	6,114	6,186	6,477	6,361
Trade with the Rest of Canada and Abroad - Millions of Constant 1981 Dollars					
Exports					
Grain	3,241	3,263	3,292	2,249	1,919
Crude Oil	1,452	1,734	1,978	2,107	2,128
Potash	786	1,018	1,080	984	975
Manufactured Goods to Rest of Canada	690	687	697	689	673
Other	1,207	1,047	1,556	1,705	1,717
Total Exports	7,376	7,749	8,603	7,734	7,413
Imports					
Crude Oil	258	213	221	219	253
Natural Gas	165	160	152	127	104
Manufactured Goods from Rest of Canada	2,224	2,345	2,475	2,581	2,616
Other	2,748	2,666	2,446	2,273	2,087
Total Imports	5,395	5,384	5,293	5,200	5,061
Value of Mineral Sales - Millions of Dollars					
Oil	1,292	1,772	2,164	2,399	1,174
Potash	643	686	829	622	550
Uranium	251	121	354	456	457
Other	195	232	304	328	362
Total Value of Mineral Sales	2,381	2,811	3,651	3,805	2,543
Volume of Mineral Sales					
Oil - Thousands of Cubic Metres	8,128	9,526	10,758	11,541	11,706
Potash - Thousands of Tonnes	5,087	6,599	6,998	6,377	6,309
Uranium - Thousands of Kilograms	3,213	1,621	5,852	7,337	7,444

Saskatchewan Economic Statistics (cont.)

Calendar Year	1982	1983	1984	1985	Preliminary 1986
Personal Income - Millions of Dollars					
Wages, Salaries and Supplementary Labour Income	6,291	6,669	7,190	7,544	7,978
Net Income Received by Farm Operators from					
Farm Production	1,077	561	327	842	1,404
Other Income	4,686	4,988	5,495	6,055	6,485
Total Personal Income	12,055	12,218	13,012	14,441	15,867
Farm Income - Millions of Dollars					
Farm Cash Receipts	4,022	3,964	4,324	4,056	4,000
Income in Kind and Supplementary Payments	49	40	71	86	176
Realized Gross Farm Income	4,071	4,004	4,395	4,142	4,176
Minus: Operating and Depreciation Charges	3,084	3,251	3,346	3,442	3,437
Realized Net Farm Income	987	753	1,049	699	739
Value of Inventory Change	115	(172)	(703)	165	690
Total Net Income of Farm Operators from Farm Production	1,102	581	346	865	1,428
Minus: Amounts Included in Other Components of					
Gross Domestic Product and Transfers to Persons	29	18	20	20	24
Plus: Other Adjustments	4	(2)	2	(3)	0
Net Income Received by Farm Operators from					
Farm Production	1,077	561	327	842	1,404
Population and Labour Force - Thousands of Persons					
Population as of June 1	979	994	1,007	1,018	1,021
Labour Force	455	470	477	491	495
Participation Rate (Per Cent)	63.9	65.2	65.1	66.4	66.9
Employed	426	436	439	452	457
Unemployed	28	35	38	40	38
Unemployment Rate, Saskatchewan (Per Cent)	6.2	7.4	8.0	8.1	7.7
Unemployment Rate, Canada (Per Cent)	11.0	11.9	11.3	10.5	9.6
Consumer Price Index - Annual Percentage Change					
Regina	9.0	6.4	4.4	3.7	2.1
Saskatoon	9.0	6.3	3.5	3.5	4.1
Canada	10.8	5.8	4.4	4.0	4.1
Private and Public Investment - Millions of Dollars					
New Capital Investment					
Construction	2,293	2,482	2,383	2,744	2,365
Machinery and Equipment	1,434	1,514	1,531	1,349	1,317
Total New Capital Investment	3,727	3,996	3,915	4,093	3,682
Repair and Maintenance	1,179	1,226	1,321	1,410	1,393
Total Private and Public Investment	4,906	5,222	5,236	5,503	5,075
Other					
Value of Manufacturing Shipments - Millions of Dollars	2,488	2,619	2,845	2,867	2,916
Value of Retail Trade - Millions of Dollars	4,042	4,357	4,354	4,704	4,999
Housing Starts - Units	6,822	7,269	5,221	5,354	5,510
Electric Power Generated - Millions of Kilowatt Hours	9,846	10,389	11,543	11,838	11,913

Note: Components may not add to totals due to rounding.

Sources: Saskatchewan Bureau of Statistics, Saskatchewan Energy and Mines, Statistics Canada

Financial Highlights

1986 - 87 Fiscal Year Preliminary Results

Summary of Fiscal Position

The preliminary results for the 1986-87 fiscal year indicate that Combined Funds revenue totalled \$2,800.5 million, while Combined Funds expenditure was \$4,032.7 million. The result was a deficit for the Combined Funds for 1986-87 of \$1,232.2 million.

Receipts for loans, investments and deposits in 1986-87 totalled \$869.5 million. Disbursements totalled \$1,132.6 million, with a shortfall of \$263.1 million. Therefore, total cash requirements for 1986-87 were \$1,495.3 million.

Revenues and Expenditures

Combined Funds revenues fell by 8.2% in 1986-87 to \$2,800.5 million. This decline in revenues was in a large part due to the drop in world oil prices. Oil revenues declined by \$461.0 million from 1985-86, a drop of 68.4%. Uranium revenues declined by \$18.5 million from 1985-86, a decline of 51.0%. However, some of this decline was offset by growth in Personal Income Tax revenues (\$64.2 million) and by the Province qualifying for equalization (\$168.6 million).

Combined Funds expenditures were \$4,032.7 million in 1986-87, an 11.2% increase over 1985-86. The major factors leading to this increase were increased support to farmers to deal with continuing economic and climatic difficulties, increased funding for the health sector, and support for economic stimulation through the housing industry. In other areas of government, expenditure restraint was applied, with eleven departments and agencies spending less than in the previous year, and the civil service being reduced by 300 positions.

Financing and Debt Management

During fiscal year 1986-87, gross debt outstanding in the name of the Province increased by \$1,407.6 million (Canadian funds equivalent). This increase was comprised of \$1,059.0 million required by the Province, \$507.9 million (net of redemptions) borrowed by the Province on behalf of the Crown corporations and others and a \$159.3 million decrease resulting from a change in foreign exchange rates. At March 31, 1987, gross debt of the Province was \$9,807.2 million of which approximately 70.0 per cent was incurred for the purposes of Crown corporations and 30 per cent was incurred for general government purposes. Also, 84.2 per cent of the gross debt of the Province at March 31, 1987 was denominated in Canadian dollars while 15.8 per cent was denominated in U.S. dollars. The Crown corporations are responsible for repayment in full of interest and principal on borrowing on their behalf by the Province.

Debentures sold during fiscal year 1986-87 amounted to \$1,761.0 million (Canadian equivalent), comprised of \$1,627.3 million in medium-term debentures issued in public markets and \$133.7 million in long-term instruments issued to the Minister of Finance of Canada respecting the Canada Pension Plan Investment Fund. Proceeds of these issues were directed to Crown corporations in the amount of \$756.2 million

(Canadian equivalent) to assist in meeting their capital investment needs, and to general government purposes in the amount of \$1,004.8 million.

Debentures redeemed in fiscal year 1986-87 amounted to \$172.7 million. Contributions to the Province's sinking funds totalled \$20.2 million in fiscal year 1986-87, of which \$19.7 million was contributed by Crown corporations in respect of the debt incurred by the Province for the purposes of those corporations and \$0.5 million was contributed by the Province in respect of debt incurred for its own purposes.

Treasury bills and Promissory notes outstanding decreased by \$21.4 million in fiscal year 1986-87.

In addition to new direct borrowing activities in fiscal year 1986-87 the Saskatchewan Power Corporation issued \$85.4 million Series III Saskatchewan Power Savings Bonds to Saskatchewan residents. These bonds were unconditionally guaranteed as to principal and interest by the Province.

Assets, Liabilities and Equity

Total Combined Funds assets reached \$7,510.2 million at March 31, 1987, up 1.0 per cent over the previous year.

Combined funds liabilities reached \$9,475.8 million at March 31, 1987, compared with \$8,123.2 million for the previous year. This increase was a reflection first of the debt incurred on behalf of the Crown entities and, secondly, of new borrowings undertaken to provide for general government purposes.

Combined Funds equity at March 31, 1987 was \$(1,965.6) million.

1987-88 Budget Estimates

The Saskatchewan Budget Estimates for Combined Funds for 1987-88 project total revenues of \$3,202.5 million, and total expenditures of \$3,779.7 million for a combined deficit of \$577.2 million.

The Budget introduced for 1987-88 reflected the government's determination to adjust its fiscal course in response to recent changes in the economic situation and revenue-generating capacity of the Province.

With respect to expenditures, the 1987-88 Budget projects that combined expenditures will be held to a 0.9% increase over the 1986-87 budgeted figure. In comparison to actual 1986-87 expenditures, this represents a decrease of 6.3%.

The expenditure plan embodied in the 1987-88 Budget has three broad objectives: protection of Saskatchewan residents through continued commitment to major social programs; continued effort to promote economic diversification and development; and significant steps to improve the efficiency of government operations.

In the area of major social programs, the Government continued to protect Medicare through controlling costs while maintaining the basic entitlements of Saskatchewan residents to hospital and medical services. Supplementary programs such as the drug and dental plans were restructured in order to retarget funds towards the maintenance of essential programs. New initiatives were announced to combat emerging health problems in the area of substance abuse, particularly among young people.

A major restructuring of the education system was undertaken in order to ensure that it will be able to adapt and compete in the future. Specifically, the province's four technical institutes and four urban community colleges have been reorganized and given a revised mandate to concentrate on skills training and university extension programs. In addition, the Budget continues to provide funding for educational excellence through continued support of both the Education Development Fund and the University Renewal and Development Fund.

In the area of economic development and diversification, the 1987-88 Budget contains a number of initiatives, including the allocation of approximately \$30 million for the Agriculture Development Fund, the establishment of an Agriculture Development Secretariat, investment of \$22 million in a new Economic Diversification and Investment Fund, as well as establishment of an Entrepreneur Institute and a Tourism and Hospitality Institute.

Government efficiency has been improved through the reduction of over 2,000 civil service positions, as well as the announcement that there will be no public sector wage increases for at least two years. Similarly, the Government announced its intention not to recognize salary increases in its grants to third parties over the next two years. The 1987-88 third party grants reflect this policy. For example, operating grants to school boards and municipalities have been reduced by 1%. The cost of running the programs delivered directly by government also has decreased 2% from 1986-87 budgeted levels.

The Budget Address announced a number of revenue initiatives for 1987-88, designed to increase revenues by \$265 million. The Education & Health Tax rate was increased from 5% to 7%, the Corporation Capital Tax rate applied to trust and loan companies was increased to 3.0%, the tax on tobacco was increased from \$1.02 to \$1.17 per package of 25 cigarettes, and liquor prices were increased to generate \$10 million annually. The Flat Tax on Net Income under the Personal Income Tax was increased to 1.5%, while tax reductions for low-income earners were expanded. The fuel tax on locomotive diesel fuel was raised from 13.6¢ to 15.0¢ per litre, while the tax on aviation fuel was increased from 2.9¢ per litre to 7.0¢ per litre. A tax on motive fuels of 7.0¢ per litre was introduced. Farmers and other primary producers are exempt from the gasoline tax, while Saskatchewan residents will receive a full rebate at year-end for the tax paid on fuel used for non-commercial purposes.

The 1987-88 capital financing requirements are estimated to total \$1,535 million of which \$958 million will be for the purposes of Crown corporations and \$577 million will be for government purposes. Debt retirement is expected to amount to \$670 million resulting in an increase in public borrowing of \$865 million in 1987-88.

Borrowing by the Province from the Canada Pension Plan Investment Fund is estimated at \$120 million leaving \$1,415 million to be raised in various capital markets during 1987-88.

**Government of the Province of Saskatchewan
Combined Funds
Statement of Financial Position**

At March 31

Assets	1983	1984	1985	Preliminary	
				1986	1987
					(unaudited)
		(Thousands of Dollars)			
Cash and Short-term Investments (Note 1e)	\$ 54,743	\$ 122,607	\$ 120,229	\$ 7,522	\$ (140,979)
Short-term Loans to Crown Entities (Note 1f)	117,400	260,356	202,554	199,225	419,317
Medium and Long-term Loans to Crown Entities (Note 1g)	4,087,154	4,167,314	4,632,562	6,044,699	6,130,377
Other Loans (Note 1h)	60,290	62,704	131,570	288,831	190,227
Investments in Crown Entities (Note 1i)	849,903	838,730	838,730	747,230	747,230
Investment in Agricultural Land and Related Assets (Note 1j)	—	166,184	163,881	159,307	157,175
Other Investments (Note 1k)	620	603	13,200	10,357	6,870
Total Assets	\$5,170,110	\$5,618,498	\$6,102,726	\$7,457,171	\$7,510,217
Liabilities and Province's (Net Debt) Equity					
Public Debt (Note 1l)					
Promissory Notes (Note 1l)	\$ 50,000	\$ 297,000	\$ 612,000	\$1,780,600	\$1,762,615
Treasury Bills (Note 1l)	333,524	451,500	459,540	653,400	650,000
Debentures (Note 1l)	4,304,004	4,710,987	5,356,713	5,965,624	7,394,556
Less: Sinking Funds (Note 1l)	(314,595)	(310,676)	(353,205)	(408,712)	(428,110)
	\$4,372,933	\$5,148,811	\$6,075,048	\$7,990,912	\$9,379,061
Amounts Payable to Crown Entities (Note 1m)	80,874	117,484	86,819	127,071	92,180
Conditional Receipts (Note 1n)	4,730	6,547	6,167	5,239	4,590
	\$4,458,537	\$5,272,842	\$6,168,034	\$8,123,222	\$9,475,831
Province's (Net Debt) Equity	711,573	345,656	(65,308)	(666,051)	(1,965,614)
Total Liabilities and Province's (Net Debt) Equity	\$5,170,110	\$5,618,498	\$6,102,726	\$7,457,171	\$7,510,217

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Province's (Net Debt) Equity**

At March 31

	1983	1984	1985	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Province's Equity, Beginning of Year	\$1,091,878	\$ 711,573	\$ 345,656	\$ (65,308)	\$ (666,051)
Excess of Revenue Over Expenditure	(227,175)	(331,394)	(379,796)	(578,877)	(1,232,147)
Sinking Fund Earnings Retained in Sinking Funds	1,658	2,517	2,443	3,843	2,452
Write-down of Short-term Investments	—	—	(1,221)	—	—
Write-down of Other Investments	—	—	—	(537)	—
Provision for Doubtful Accounts in Respect of Other Loans	—	(18,752)	(32,314)	(23,574)	(11,354)
Loss on Sale of Land	—	(4)	(45)	(287)	(116)
Write-off of Other Loans	(29)	(200)	(31)	(10)	—
Deficiency Arising from the Transfer of the Assets and Liabilities of the Saskatchewan Land Bank Commission	—	(13,657)	—	—	—
Deficiency Arising from the Transfer of the Assets and Liabilities of the Saskatchewan Universities Commission	—	(4,427)	—	—	—
Write-off of Working Capital Advances (Note 1p)	(154,759)	—	—	—	—
Write-down of Loans to Crown Entities	—	—	—	(1,301)	(58,398)
Province's (Net Debt) Equity, End of Year	\$ 711,573	\$ 345,656	\$ (65,308)	\$ (666,051)	\$ (1,965,614)

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Revenue	1983	1984	1985	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Provincial Taxes					
Corporation Capital	\$ 24,222	\$ 28,985	\$ 27,885	\$ 30,530	\$ 48,256
Corporation Income	87,312	132,205	121,454	129,400	118,801
Fuel	15,046	13,593	32,108	30,723	31,541
Individual Income	683,223	565,209	554,260	627,870	692,079
Insurance	10,894	16,477	17,472	17,318	19,543
Mineral Acreage	3,762	3,765	3,762	3,353	3,367
Sales	312,005	340,325	345,014	374,296	356,597
Tobacco	35,421	48,823	59,967	70,392	78,584
Other Taxes	6,015	6,030	6,033	5,753	6,387
Total Provincial Taxes	\$1,177,900	\$1,155,412	\$1,167,955	\$1,289,635	\$1,355,155
Receipts from Government Enterprises and Other Funds					
Dividend from Crown Investments Corporation of Saskatchewan	\$ 42,000	\$ —	\$ —	\$ —	—
Profits Transferred from Saskatchewan Housing Corporation	—	—	20,074	6,161	583
Saskatchewan Liquor Board	110,000	79,000	71,000	84,000	140,000
Other Receipts	6,931	5,447	9,374	5,039	6,097
Total Receipts from Government Enterprises and Other Funds	\$ 158,931	\$ 84,447	\$ 100,448	\$ 95,200	\$ 146,680
Other Own Source Revenues					
Agricultural Lands					
Land Sales	\$ —	\$ 11,883	\$ 8,862	\$ 9,795	\$ 6,490
Lease Revenue	—	8,176	9,053	10,331	9,836
Interest and Other	—	276	702	926	1,174
Fines, Forfeits, and Penalties	6,079	7,380	7,557	7,152	8,846
Interest, Premium, Discount, and Exchange	32,387	23,248	23,115	50,906	20,259
Non-Renewable Resources					
Coal	10,988	15,775	17,438	10,688	13,557
Natural Gas	1,010	4,595	9,652	13,332	21,887
Oil	482,889	640,322	645,625	638,661	212,926
Crude Oil Export Charge	217,394	44,212	94,732	35,276	—
Potash	36,871	39,702	71,177	32,592	36,982
Sodium Sulphate	1,618	1,696	1,393	1,190	1,085
Uranium	24,403	11,117	25,169	36,269	17,807
Other	619	599	435	978	763
Privileges, Licences, and Permits					
Lands, Forest, Game, Fur, Fisheries, and Water	19,867	9,956	10,032	10,072	10,970
Motor Vehicles	45,314	54,187	57,346	60,281	61,255
Other	5,866	7,433	8,015	10,294	9,883
Sales, Services and Service Fees	28,796	34,656	38,359	64,033	40,627
Other Revenues	23,204	20,716	20,465	19,498	24,871
Total Other Own Source Revenues	\$ 937,305	\$ 935,929	\$1,049,127	\$1,012,274	\$ 499,218
Receipts from Other Governments					
Agricultural and Rural Development Act	\$ 2,173	\$ 261	\$ 345	\$ 538	\$ 326
Canada Assistance Plan	123,257	139,766	143,667	149,131	160,548
Department of Regional Industrial Expansion	5,158	6,900	2,665	531	1,131
Equalization Payment (Note 2b)	(31,837)	(22,913)	(22,913)	(22,913)	145,665
Established Programs Financing	272,018	372,648	420,181	445,063	409,307
Manpower Agreements	16,362	19,877	28,605	21,611	19,805
Statutory Subsidy	2,140	2,160	2,178	2,175	2,175
Other Federal Contributions	19,032	33,075	15,568	46,896	50,003
Other Receipts	8,687	5,931	7,732	8,930	10,505
Total Receipts from Other Governments	\$ 416,990	\$ 557,705	\$ 598,028	\$ 651,962	\$ 799,465
Total Revenue	\$2,691,126	\$2,733,493	\$2,915,558	\$3,049,071	\$2,800,518

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Expenditure	1983	1984	1985	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Advanced Education and Manpower	\$ 202,863	\$ 231,509	\$ 257,104	\$ 253,743	\$ 263,822
Agriculture	86,176	87,817	130,624	220,338	298,441
Consumer and Commercial Affairs	5,320	5,136	5,667	5,418	5,174
Co-operation and Co-operative Development	3,278	2,879	2,865	2,974	2,860
Culture and Recreation	14,030	16,716	20,992	18,827	21,667
Economic Development and Trade	11,710	5,726	11,317	7,774	9,375
Education	388,727	415,087	378,983	423,592	437,445
Employment Development Agency	—	—	222	102,098	203,592
Energy and Mines	74,572	51,930	39,493	35,507	19,530
Environment	9,129	8,173	10,554	7,172	7,296
Executive Council	10,046	7,158	6,904	6,877	11,904
Finance: Other	53,767	27,700	24,736	38,960	28,814
Interest on Public Debt (Note 1o)	41,655	56,513	102,470	190,322	192,587
Health	732,928	964,808	1,013,316	1,067,419	1,165,204
The Highway Traffic Board	11,527	—	—	—	—
Highways and Transportation	191,765	213,725	208,524	216,329	223,194
Indian and Native Affairs Secretariat	—	4,831	4,459	2,423	2,583
Intergovernmental Affairs	4,941	64	—	—	—
Justice	67,345	102,954	107,955	104,776	112,417
Labour	11,361	9,431	9,527	10,170	10,558
Legislation	8,353	9,351	9,386	10,441	10,110
The Local Government Board	408	389	432	417	447
Local Government Finance Commission	—	—	—	416	234
Northern Affairs Secretariat	—	—	355	538	666
Department of Northern Saskatchewan	56,950	17,691	—	—	—
Parks and Renewable Resources	53,234	55,470	70,166	61,647	58,131
Provincial Auditor	3,168	3,223	3,604	3,587	3,504
Provincial Secretary	570	569	605	714	933
Public Employees Benefits Agency	34,582	—	—	—	—
Public and Private Rights Board	74	86	—	—	—
Public Service Commission	5,458	6,094	6,293	6,453	6,120
Revenue and Financial Services	47,821	72,525	117,506	121,646	135,630
Rural Development	49,314	51,368	53,847	53,811	55,391
The Saskatchewan Assessment Authority	4,253	4,726	5,668	5,678	4,731
Saskatchewan Crop Insurance Corporation	—	1,000	9,238	18,250	17,155
Saskatchewan Housing Corporation	—	—	—	33,510	45,937
Saskatchewan Library	7,095	7,434	7,578	7,822	8,227
The Saskatchewan Research Council	3,519	3,876	4,431	4,316	4,081
Saskatchewan Water Corporation	—	—	—	24,715	25,930
Science and Technology	—	201	2,448	3,967	5,001
Social Services	443,552	302,359	328,444	340,577	355,669
Supply and Services	70,471	90,879	92,072	92,165	139,078
Surface Rights Arbitration Board	161	166	—	—	—
Department of Telephones	77	307	125	198	463
Tourism and Small Business	—	4,955	22,608	10,835	14,497
Transportation Agency of Saskatchewan	588	—	—	—	—
Urban Affairs	207,513	220,021	224,553	111,224	123,715
Women's Secretariat	—	40	283	302	552
Total Expenditure	\$2,918,301	\$3,064,887	\$3,295,354	\$3,627,948	\$ 4,032,665
Excess of Revenue over Expenditure	\$ (227,175)	\$ (331,394)	\$ (379,796)	\$ (578,877)	\$ (1,232,147)

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity**

For the Year Ended March 31

Receipts	1983	1984	1985	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Loans					
Saskatchewan Municipal Financing Corporation	\$ —	\$ 10,000	\$ —	\$ —	\$ —
Saskatchewan Grain Car Corporation	1,833	—	4,984	—	—
Potash Corporation of Saskatchewan	25,000	25,000	5,000	18,400	5,000
Saskatchewan Economic Development Corporation	—	—	—	23,500	—
Saskatchewan Housing Corporation	—	8,000	—	—	—
Saskatchewan Oil and Gas Corporation	—	—	—	25,000	—
Saskatchewan Power Corporation	39,169	65,649	11,604	9,637	174,826
Saskatchewan Telecommunications	1,795	41,860	—	7,793	13,283
Agricultural Credit Corporation of Saskatchewan	—	—	—	—	110,045
Crown Investments Corporation of Saskatchewan	—	—	—	51,500	188,000
Loan and Sales Agreements	—	—	621	837	618
Other	54,612	54,603	59,342	147,311	234,347
Total Loan Receipts	\$122,409	\$205,112	\$ 81,551	\$283,978	\$726,119
Investments					
Saskatchewan Housing Corporation	\$ —	\$ 11,173	\$ —	\$ —	\$ —
Saskatchewan Oil and Gas Corporation	—	—	—	91,500	—
Investment in Agricultural Land and Related Assets:					
Recovery of Investment	—	83	2,880	4,647	2,289
Recovery of Principal on Land Sales	—	1,811	—	—	—
Other	12	18	18	2,546	3,787
Total Investment Receipts	\$ 12	\$ 13,085	\$ 2,898	\$ 98,693	\$ 6,076
Deposits					
Crown Entities	\$143,594	\$150,785	\$129,778	\$127,556	\$106,316
Sinking Funds	21,587	23,600	21,178	20,193	19,682
Conditional Receipts	—	1,555	—	—	—
Redemption of Sinking Funds	—	—	—	—	11,316
Total Deposit Receipts	\$165,181	\$175,940	\$150,956	\$147,749	\$137,314
Total Receipts	\$287,602	\$394,137	\$235,405	\$530,420	\$869,509

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity**

For the Year Ended March 31

Disbursements	1983	1984	1985	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Loans					
Saskatchewan Municipal Financing Corporation	\$ —	\$ —	\$ 54,723	\$ —	\$ —
Potash Corporation of Saskatchewan	123,390	80,000	—	160,517	65,255
Saskatchewan Economic Development Corporation	—	—	—	—	26,000
Saskatchewan Housing Corporation	80,150	—	9,391	—	—
Saskatchewan Power Corporation	430,707	198,170	80,386	212,507	241,111
Saskatchewan Telecommunications	100,000	22,641	14,497	—	32,598
Agricultural Credit Corporation of Saskatchewan	20,434	13,517	—	1,045,645	158,400
Crown Investments Corporation of Saskatchewan	75,000	20,000	158,000	114,728	266,158
Saskatchewan Land Bank Commission	9,500	—	—	—	—
Saskatchewan Mining Development Corporation	188,371	—	82,950	48,853	32,628
Demand Bank Loan	—	5,000	—	—	—
Other	77,449	67,420	161,314	328,884	147,666
Total Loan Disbursements	\$ 1,105,001	\$ 406,748	\$ 561,261	\$ 1,911,134	\$ 969,816
Investments					
NewGrade Energy Inc.	\$ —	\$ —	\$ 734	\$ —	\$ —
Saskatchewan Oil and Gas Corporation	28,000	—	—	—	—
Investment in Agricultural Land and Related Assets:					
Recovery of Investment	—	—	577	585	429
Other	—	69	1,715	240	300
Total Investment Disbursements	\$ 28,000	\$ 69	\$ 3,026	\$ 825	\$ 729
Deposits					
Crown Entities	\$ 110,393	\$ 114,174	\$ 160,443	\$ 87,304	\$ 141,207
Sinking Funds	22,125	24,198	21,836	20,749	20,238
Conditional Receipts	752	—	380	928	648
Total Deposit Disbursements	\$ 133,270	\$ 138,372	\$ 182,659	\$ 108,981	\$ 162,093
Total Disbursements	\$ 1,266,271	\$ 545,189	\$ 746,946	\$ 2,020,940	\$ 1,132,638
Total Excess of Receipts Over Disbursements	\$ (978,669)	\$ (151,052)	\$ (511,541)	\$ (1,490,520)	\$ (263,129)
(see accompanying notes)					

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Financing and Changes in Financial Position

For the Year Ended March 31

	1983	1984	1985 *	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Cash Requirement					
Revenue and Expenditure					
Revenue	\$ 2,691,126	\$ 2,733,493	\$ 2,915,558	\$ 3,049,071	\$ 2,800,518
Expenditure	2,918,301	3,064,887	3,295,354	3,627,948	4,032,665
	\$ (227,175)	\$ (331,394)	\$ (379,796)	\$ (578,877)	\$ (1,232,147)
Loan, Investment and Deposit					
Receipts	\$ 287,602	\$ 394,137	\$ 235,405	\$ 530,420	\$ 869,509
Disbursements	1,266,271	545,189	746,946	2,020,940	1,132,638
	\$ (978,669)	\$ (151,052)	\$ (511,541)	\$ (1,490,520)	\$ (263,129)
Net Cash Requirement	\$ (1,205,844)	\$ (482,446)	\$ (891,337)	\$ (2,069,397)	\$ (1,495,276)
Financing					
Proceeds from Debt	\$ 3,217,558	\$ 3,618,867	\$ 4,530,114	\$ 6,940,974	\$ 10,563,646
Repayment of Debt	2,123,995	2,925,601	3,687,570	4,987,613	8,996,779
	\$ 1,093,563	\$ 693,266	\$ 842,544	\$ 1,953,361	\$ 1,566,867
Net Increase (Decrease) in Cash, Short-term Loans and Investments	\$ (112,281)	\$ 210,820	\$ (48,793)	\$ (116,036)	\$ 71,591
Write-down of Short-term Investment	—	—	(1,221)	—	—
Cash, Short-term Loans and Investments, Beginning of Year	284,424	172,143	372,797	322,783	206,747
Cash, Short-term Loans and Investments, End of Year	\$ 172,143	\$ 382,963	\$ 322,783	\$ 206,747	\$ 278,338
(see accompanying notes)					

* In the fiscal year ending March 31, 1985, \$10,166,000 of investments were reclassified from Cash, Short-term Loans and Investments, Beginning of Year, to Other Investments.

Government of the Province of Saskatchewan

Combined Funds

Notes to the Financial Statements

1. Significant Accounting Policies

General Policies

1a. Reporting Entity

The Combined Funds represent a combination of the financial transactions for the Consolidated Fund and the Saskatchewan Heritage Fund. The Combined Funds financial statements have been designed primarily to provide an accounting of the financial resources appropriated by the Saskatchewan Legislature from the Funds. The Consolidated Fund is the general fund of the Province into which all public monies received are credited except where the Legislative Assembly has directed otherwise. The Saskatchewan Heritage Fund is a fund established by the Legislative Assembly to receive all nonrenewable resource revenues and certain other revenues as specified in the Heritage Fund (Saskatchewan) Act.

These financial statements are not intended to be summary financial statements that provide a full accounting of the financial affairs and resources of all the entities for which the Government of Saskatchewan is responsible. The financial transactions of other Crown entities such as provincial Crown corporations, agencies, boards and commissions are reported separately. Only those transactions pertaining to the receipt of money from or payment of money to the Combined Funds are reflected in these statements. Accumulated surpluses or deficits of these entities are not included.

A variety of special purpose and other funds are administered by the Minister of Finance. Included within these funds are superannuation funds over which the Minister provides general administrative support, trust monies held for third parties under various arrangements, and special purpose monies held for specified uses. The assets, liabilities, operations and residual balances of these are maintained and reported separately from those of the reporting entity.

1b. Principles of Combination

The financial transactions for The Consolidated Fund and The Saskatchewan Heritage Fund are added together, or combined. Transactions between the funds, such as the dividend paid to The Consolidated Fund by the Saskatchewan Heritage Fund, are eliminated.

1c. Basis of Accounting

The financial statements are prepared using a modified cash basis for a fiscal year commencing on April 1 and ending on March 31. Revenues are recorded as received and expenditures are charged to the accounts when payments are made. In addition, revenues received in the 30 days of April in respect of revenue raised up to March 31 of the preceding fiscal year are taken into revenue of the preceding

fiscal year, and payments made during the 30 days of April which are for goods and services received in the preceding fiscal year are reported as expenditures of the preceding fiscal year.

1d. Classification of Financial Transactions

In accounting for the financial transactions, a distinction is drawn between those transactions which affect the net debt and those which affect only recorded assets and liabilities. This segregation originates from the net debt concept. The net debt of the Province is the difference between recorded liabilities minus assets and represents the difference between accumulated revenues and accumulated expenditures. Since revenues and expenditures only affect the net debt, financing activities and transactions which arise from the financing activities (lending and investing) only affect recorded assets and liabilities. Accordingly, transactions are recorded within three categories: Revenue and Expenditure, Lending and Investing, and Financing Activities.

• Revenue and Expenditure

Revenue and expenditure relate to normal operating activities.

• Revenue

Revenue includes revenues raised through taxation, premiums, fees, licences and permits, receipts from the Federal government under fiscal arrangements and shared-cost programs, income from investments and dividends or transfers from other funds and accounting gains on the sale of certain agricultural lands.

• Expenditure

Expenditure includes payments for goods and services, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, interest on public debt and lease payments to the Saskatchewan Property Management Corporation for accommodations, furnishings and equipment. Payments for the acquisition of those fixed assets, which are not leased from the Property Management Corporation, are also charged to expenditure.

• Lending and Investing

These transactions result from lending and investing functions which include the Province's lending and investing activity in various Crown entities, other organizations and individuals, in Agricultural Land and Related Assets acquired for resale and also, the administration of funds held for certain Crown entities.

• Financing Activities

Financing activities are the borrowing and repayment transactions of the Province and include the borrowing on behalf of various Crown entities.

● Assets and Liabilities

The majority of the assets and liabilities recorded in the statements are a result of the intermediary activity of borrowing on behalf of various Crown entities. In general terms assets will consist of cash and short-term investments and loans to or investments in Crown entities and other organizations and individuals.

The Saskatchewan Property Management Corporation, established on March 25, 1986, is responsible for certain aspects of capital asset management including the acquisition, maintenance and disposal of accommodations, furnishings and equipment for the government. These services are provided to government departments on a lease basis.

Liabilities consist of promissory notes, Treasury bills and debentures to be repaid to outside parties and amounts that are due to provincially created Crown entities.

● Revolving Fund Transactions

Various revolving funds have been established to provide services to the Province or the public. Each of these have statutory authority to make payments out of The Consolidated Fund for the provision of specified services.

Except for transactions relating to loans and advances to third parties, any net cash expenditure on behalf of a revolving fund is classified as an expenditure. Any net cash revenue is classified as a reduction in expenditures. Loans and advances to third parties are classified as lending and investment transactions, and any amounts outstanding are shown as an asset.

Specific Policies

1e. Cash and Short-Term Investments

● Cash

Cash recorded is the balance on hand in the Combined Funds at March 31, adjusted in accordance with the modified cash basis of accounting as described in Note 1c.

● Short-Term Investments

Short-term investments represent those investments purchased under authority of The Department of Finance Act and The Heritage Fund (Saskatchewan) Act. These investments consist mainly of chartered bank notes, Treasury bills, commercial paper and bonds maturing within one year.

Short-term investments are carried at cost. Any gain (loss) on disposal of short-term investments is recorded as revenue (expenditure).

1f. Short-Term Loans to Crown Entities

These represent interest bearing loans made for a period of less than one year. Short-term loans are valued at cost.

Interest received on short-term loans is applied to offset the interest paid on the Province's share of public debt.

1g. Medium- and Long-Term Loans to Crown Entities

These are loans made for a period of greater than one year to Crown corporations, boards and commissions and generally have fixed terms of repayment. With the exception of the Saskatchewan Grain Car Corporation, the loans are all interest bearing.

Loans are valued at cost. Loans in foreign currency are converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. In cases where the liabilities of a Crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan carried will be written down. All writedowns are charged directly to equity.

Where the Province obtains the funds for making the loans through issuing of debentures, the Crown entities are required to provide the funds to repay debt. Where sinking fund requirements are attached to the underlying debt issue, Crown entities must reimburse the Province for payments made to the sinking fund. Accordingly, the Crown entities equity (i.e. contributions and earnings) in the sinking funds reduce the recorded value of loans.

Interest received from Crown entities is offset against the Province's interest expense in debt issues.

1h. Other Loans

Other loans are subject to a variety of interest rates and terms of repayment. The loans to the Cow-Calf-to-Finish Plan, Feeder Finish Plan and the Saskatchewan Hog Assured Returns Program are interest-bearing except for an amount of \$13,127,000 relating to the 50 Purchased Feeders Option under the Cow-Calf-to-Finish Plan.

Other loans are carried at cost and will be revalued when it becomes evident that they are uncollectible. All write-downs are charged directly to equity.

Interest received from these loans is recorded as revenue.

1i. Investments in Crown Entities

Investments in Crown entities represent long-term equity advances which are non-interest bearing and have no fixed terms of repayment.

Investments are valued at original cost. Revaluation of the investment will occur when the liabilities of the Crown entity significantly exceed the net realizable value of its assets and the accumulated deficit is not funded by appropriation. Any write-downs reducing the carrying value of the investment are charged directly to equity.

Dividends from the investments are recorded as revenue.

1j. Investment in Agricultural Land and Related Assets

The Heritage Fund (Saskatchewan) Amendment Act, 1983 transferred the assets and liabilities of the former Saskatchewan Land Bank Commission to the

Agricultural Division of the Saskatchewan Heritage Fund effective April 1, 1983. Investment in Agricultural Land and Related Assets represents the cost of land and improvements held for resale.

Sales of these lands and improvements are recorded as a recovery of investment in amounts equal to the cost and any gains are recorded as revenue when received. Where the sale involves a long-term sales agreement, the amount equal to the cost of the investment sold is recorded as an asset; any amount due in respect of a gain on the sale is recorded as revenue only upon collection. Any loss on the sale of these lands and improvements is charged to equity.

1k. Other Investments

The investments are valued at cost and will be revalued when it becomes evident that there has been a permanent reduction in the value of the investment.

Any write-down of an investment is charged to equity.

1l. Public Debt

Public debt represents obligations of the Province to outside parties arising from its borrowing activities to finance the Province's operations or to finance loans to Crown entities. Public debt consists of promissory notes, Treasury bills and debentures.

• **Borrowing on Behalf of Crown Entities:**

Where the Province performs the intermediary function of borrowing on behalf of Crown entities, the funds required to repay the principal amount of the debt attributable to these entities are reimbursed by them.

Because this debt is reimbursable, interest received from the Crown entities is offset against the interest paid on the debt.

All debentures due in a foreign currency will be repaid when due by these entities in requisite amounts. For reporting purposes, all debentures due in foreign currency have been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31.

• **Investment in Agricultural Land:**

Debt acquired for the purpose of financing the Investment in Agricultural Land now held by the Saskatchewan Heritage Fund but formerly held by the Saskatchewan Land Bank Commission is considered to be fully reimbursable from the proceeds from the sale of the Agricultural Lands to be received by the Saskatchewan Heritage Fund. The interest paid on the public debt which is considered to be fully reimbursable from the lease fee revenue on the lands, received in the Farm Purchase Program Fund, is offset against the interest paid on the debt. To the extent lease fees are insufficient for this purpose, an appropriation of funds from the Saskatchewan Heritage Fund is made to cover the deficiency.

The balance of the public debt is borrowed for the purpose of the Province. The interest paid on this portion is shown as Interest on Public Debt under

the Department of Finance in the Statement of Revenue and Expenditure.

• **Promissory Notes**

Promissory notes are issued to cover temporary insufficiencies of the Consolidated Fund and for funding short-term advances to Crown entities.

Promissory notes are carried at face value.

• **Treasury Bills**

Treasury bills are issued to cover temporary insufficiencies of the Consolidated Fund.

Treasury bills are carried at par.

• **Debentures**

Debentures are issued to finance activities of the Province and for funding long-term loans to Crown entities.

Debentures are carried at par. In the year in which debentures are issued, discounts are charged to expenditure and any premiums are recorded as revenue. Where borrowing is made to finance loans to Crown entities, all expenses including discounts are charged directly to the Crown entities and premiums are paid to the Crown entities.

Many public debentures issued require payments into a sinking fund in accordance with sinking fund policy.

Repayments of principal, where sinking funds are not required, directly reduce the liability.

• **Sinking Funds**

The Province has a general sinking fund into which payments are made on most public debenture issues. Annual payments to the general sinking fund under this policy have been based on 1% or 1 1/2% of the principal amount outstanding of the applicable debenture issued. The Province requires that it be reimbursed by Crown entities for all sinking fund payments made on debt incurred on behalf of Crown entities. Notwithstanding this requirement, the Province assumes direct responsibility for all payments to sinking funds.

Sinking fund monies are invested in Province of Saskatchewan debentures, other provincial government or provincial government guaranteed securities, federal government or federal government guaranteed securities, or high grade Canadian municipal securities until such time as the monies are required for retirement of debt. Sinking fund monies are subject to noncash calculations regarding earnings in accordance with the following accounting policies:

• **Interest on long-term investments is accrued.** Short-term investment earnings are recognized as received.

• **Premium/discount on long-term investments is amortized by type of security to maintain a constant yield over the life of the investment.**

- Gains/losses on the sale of long-term investments are recognized in the period the sale was transacted.

Earnings of the sinking funds are retained within the sinking funds and accordingly, are not recorded as revenue but are credited directly to equity.

1m. Amounts Payable to Crown Entities

These represent amounts held on deposit in the Consolidated Fund on behalf of certain Crown entities at no interest.

1n. Conditional Receipts

The Province receives funds for which the ultimate disposition is not immediately known or which is subject to some future action beyond the control of the payor. These funds are deposited to the credit of a liability account entitled "conditional receipts". The balance reflected is that for such funds held as at March 31.

1o. Interest on Public Debt

Interest on public debt includes interest paid by the Province on promissory notes, Treasury bills and debentures, but does not include interest on public debt borrowed by the Province on behalf of Crown entities (Note 1f, 1g, 1i).

1p. Change in Accounting Policy

• Foreign Debt

A change in accounting policy with respect to accounting for foreign debt was implemented during the 1984-85 fiscal year with retroactive application to the 1982-83 fiscal year to the 1983-84 fiscal year inclusive. All public debt and related loans to Crown entities payable in foreign currency have been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31.

The effect of the change in accounting policy is to increase debentures and loans to Crown entities as follows:

1982-83	\$309,549,000
1983-84	\$371,504,000
1984-85	\$518,008,000
1985-86	\$595,388,000
1986-87	\$474,206,000

• Working Capital Advances

A change in accounting policy with regard to working capital advances was implemented during the 1982-83 fiscal year. Legislation was passed to establish Revolving Funds (Note 1d) and to transfer to them the assets and liabilities of the Working Capital Advance Accounts. The balance of the advances to the Working Capital Advance Accounts were written off to equity or charged to other assets during the 1982-83 fiscal year.

2. Additional Information

2a. Contingencies

• Guaranteed Debt

The Province has explicitly guaranteed the repayment of the principal and interest of certain bonds, debentures and loans of various organizations including Crown entities. The total principal portion of guaranteed debt at March 31, 1987 was \$551,226,000.

The guaranteed debt is not a recorded liability until conditions exist or events occur which would require the Province to assume the repayment of the debt. At March 31, 1987 there were no organizations in receivership whose debt had been guaranteed.

• Litigation Matters

The Province has a contingent liability in respect of a claim filed by the Cumberland House Local Community, the Village of Cumberland House and Cumberland Fisherman's Co-op Ltd., against the Saskatchewan Power Corporation and the Government of Saskatchewan. The plaintiffs are claiming \$200 million in damages resulting from the losses they allege they will suffer as a result of the construction and operation of the Squaw Rapid Dam. The outcome of this action is uncertain and the likely loss to the Province, if any, cannot be determined.

The Province has also been named in a claim filed by Chief Myles Venne on behalf of the members of the Lac La Ronge, James Roberts and Amos Charles Indian Bands against the Government of Canada and Government of Saskatchewan. The claim is for approximately 250,000 acres of land in Saskatchewan based on entitlement under Treaty No. 6. The outcome of this action is uncertain and the likely loss to the Province, if any, cannot be determined.

The Province is also named as defendant in various other legal actions relating to amounts in excess of \$1,000,000, totalling approximately \$44.0 million. The outcome of these actions is uncertain and the likely loss to the Province, if any, cannot be determined.

• Crop Reinsurance Fund of Saskatchewan

The Province of Saskatchewan is liable for funding any deficiency arising in the Crop Reinsurance Fund of Saskatchewan. As at March 31, 1987, the Crop Reinsurance Fund of Saskatchewan had a \$54.8 million deficit as a result of crop insurance claims in excess of the accumulated surplus of the Saskatchewan Crop Insurance Corporation - Insurance Operation and the Crop Reinsurance Fund of Saskatchewan. The likelihood of payment to the Saskatchewan Crop Reinsurance Fund is dependent upon the future level of claims in relation to premiums and, therefore, is not determinable at this time.

2b. Equalization Payment

Contained in receipts from other governments is a reduction to revenue of \$22,913,000 for an equalization payment to the Federal Government resulting from an amendment to its calculation of equalization payments which occurred subsequent to March 31, 1982.

The amendment resulted in the Province being overpaid by \$117,400,000 in total. By agreement with the Federal Government, this amount was repaid through reduction of other federal transfer payments over a five year period ending March 31, 1987.

2c. Saskatchewan Property Management Corporation

The Province established the Saskatchewan Property Management Corporation at March 25, 1986. The Corporation is responsible for certain aspects of capital asset management for the government including acquisition, development, maintenance and disposal. The Corporation also provides financial assistance to third parties, hospitals, schools and universities for the acquisition of capital assets.

The Province sold to the Corporation its work-in-progress at March 25, 1986, on certain capital projects undertaken by Supply and Services. The sale for \$23,881,000 is reflected as "Sales, Services and Service Fees" revenue in the Statement of Revenue and Expenditure for the year ended March 31, 1986.

In addition, the Province was reimbursed an amount of \$53,111,000 by the Corporation for grants paid to certain hospitals (Department of Health - \$34,457,000) and universities (Department of Advanced Education and Manpower - \$18,654,000) in 1985-86. The amounts reimbursed have been reflected as reductions of expenditures for the departments. The Corporation has entered into loan agreements with these third parties to finance the construction of capital projects. The Province has agreed to make grants to the third parties annually in amounts equal to annual installments of principal and interest on the loans.

2d. Superannuation

For certain pension plans the Province pays, out of the Consolidated Fund, part of the benefits and/or is responsible for any deficiency arising when the benefits exceed the assets available in the funds.

The following is a brief description of these plans:

• Public Service Superannuation Plan

This is an unfunded plan. All employee contributions are recorded as revenue of the Consolidated Fund, and all payments required are recorded as expenditures of the Consolidated Fund. The Province is responsible for any deficiency arising where the benefits exceed the assets available in the fund.

• Public Employees (Government Contributory) Superannuation Fund

This is a funded plan, with employee contributions being matched by the Province. A separate fund is maintained for receiving all contributions, with allowances and refunds being made from the fund based upon the contribution made and investment earnings allocated. The Province's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, the Province has no residual obligation.

• Public Employees (Government Contributory) Annuity Fund

In 1985-86 The Superannuation (Supplementary Provisions) Act was amended creating the Public Employees (Government Contributory) Annuity Fund. The related assets and accumulated balances of members who have chosen this annuity option are transferred to the annuity fund from the Public Employees (Government Contributory) Superannuation Plan and all annuities are paid out of the Fund. Upon retirement, an employee is entitled to receive a guaranteed life annuity provided by the amount standing to his credit in the Fund at the time.

• Teachers' Superannuation Fund

Teacher contributions are paid into a separate fund, with allowances and benefits being made from the fund. Teacher contributions on and after July 1, 1980 are matched by the Province, with these monies also being paid into the fund. The Province's contribution is recorded as an expenditure of the Consolidated Fund. The Province is responsible for any deficiency arising when retirement benefits and allowances exceed the assets available in the fund.

• Teachers' Annuity Fund

This is a funded plan for teachers who had never taught in the provincial school system prior to July 1, 1980 and entered the school system after that date. Teacher contributions are matched by the Province. Contributions are paid into a separate fund, with allowances and refunds being made from the fund based upon the contribution made and investment earnings allocated. The Province's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, the Province has no residual obligation.

• Teachers' Supplementary Allowances Fund

This fund was created in conjunction with the Teachers' Annuity Fund. A designated portion of contributions made by teachers into the Annuity Fund is paid into the Teachers' Supplementary Allowances Fund for the purpose of increasing allowances for cost of living and to pay survivor benefits to dependents of teachers. Teacher contributions are matched by the Province. The Province's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, the Province has no residual obligation.

• Members of the Legislative Assembly Superannuation Fund

This is a funded plan, with employee contributions being matched by the Province. The Province also contributes an annual payment and any other amounts that may be appropriated. Contributions are paid into a separate fund, with allowances and refunds being made from the fund. The Province's contribution is recorded as an expenditure of the Consolidated Fund. The Province is responsible for any deficiency arising when the benefits exceed the assets available in the fund.

- **Judges of the Provincial Court Superannuation Fund**

Employee contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. The Province is responsible for any deficiency arising when the benefits exceed the assets available in the fund.

Annuities and allowances made under the Magistrates Court Act (repealed) are also paid out of the Judges of the Provincial Court Superannuation Fund. Employees do not make contributions. The Consolidated Fund reimburses the Judges of the Provincial Court Superannuation Fund for all payments to superannuates.

- **Anti-Tuberculosis League Employees Superannuation Fund**

Employee contributions are matched by The Saskatchewan Anti-Tuberculosis League. Contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. The Province is responsible for any deficiency arising when the benefits exceed the assets available in the fund.

- **Saskatchewan Transportation Company Employees Superannuation Fund**

Employee contributions are matched by the Saskatchewan Transportation Company. Contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. The Province is responsible for any deficiency arising when benefits exceed the assets available in the fund.

- **Saskatchewan Pension Plan**

In 1986-87, the Province created the Saskatchewan Pension Plan, which is voluntary and open to all residents of the Province of Saskatchewan who are between the ages of 18 and 65. The Province matches contributions of the members on the basis of an income related formula to a maximum of \$300 annually.

The Province's contributions are recorded as an expenditure of the Consolidated Fund. Benefits are based on accumulated contributions to the fund. Accordingly, the Province has no residual obligation except for any amounts required to supplement the fund for the guaranteed minimum pension to members who retire during the first ten years of the plan. The minimum pension is limited to \$15 per month for each year of contribution to the plan.

The following is a summary of the unfunded liability in respect of these pension plans as indicated in the most recent actuarial reports:

	(\$ Thousands)		
	Date of Report	Liability As At	Unfunded Liability
Public Service Superannuation Plan	Nov./86	Mar./86	\$ 646,615
Public Employees (Government Contributory) Superannuation Fund			N/A
Teachers' Superannuation Fund	Nov./86	June/86	1,279,000
Teachers' Annuity Fund			N/A
Teachers' Supplementary Allowances Fund			N/A
Members of the Legislative Assembly Superannuation Fund	Jan./87	Mar./86	15,696
Judges of the Provincial Court Superannuation Fund	Jan./83	Jan./83	6,330
Anti-Tuberculosis League Employees Superannuation Fund	Jan./85	Mar./84	1,238
Saskatchewan Transportation Company Employees Superannuation Fund	Jan./85	Mar./84	3,816
Saskatchewan Pension Plan			N/A
			\$1,952,695

2e. Comparative Information

Certain of the 1983 to 1986 figures have been reclassified to conform with the current year presentation.

**Government of the Province of Saskatchewan
Total Debt of the Province**

At March 31					
	1983	1984	1985 *	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Promissory Notes					
Crown Corporations**	\$ —	\$ 233,356	\$ 329,378	\$ 1,463,470	\$ 1,368,117
Government of Saskatchewan	50,000	63,644	282,622	317,130	394,498
Total Promissory Notes	\$ 50,000	\$ 297,000	\$ 612,000	\$ 1,780,600	\$ 1,762,615
Treasury Bills					
Crown Corporations**	\$ 8,524	\$ 6,500	\$ 4,540	\$ 2,400	\$ —
Government of Saskatchewan	325,000	445,000	455,000	651,000	650,000
Total Treasury Bills	\$ 333,524	\$ 451,500	\$ 459,540	\$ 653,400	\$ 650,000
Debentures					
Crown Corporations**	\$ 4,270,847	\$ 4,358,542 **	\$ 4,719,323	\$ 5,058,642	\$ 5,503,513
Government of Saskatchewan	33,157	168,009	452,954	722,546	1,706,607
Other	—	184,436 ***	184,436	184,436	184,436
Total Debentures	\$ 4,304,004	\$ 4,710,987	\$ 5,356,713	\$ 5,965,624	\$ 7,394,556
Gross Debt	\$ 4,687,528	\$ 5,459,487	\$ 6,428,253	\$ 8,399,624	\$ 9,807,171
Less: Equity in Sinking Funds					
Crown Corporations	\$ 297,810	\$ 285,404	\$ 324,832	\$ 375,235	\$ 393,348
Government of Saskatchewan	16,785	25,272	28,373	33,477	26,432
Total Equity in Sinking Funds	\$ 314,595	\$ 310,676	\$ 353,205	\$ 408,712	\$ 419,780
Net Debt	\$ 4,372,933	\$ 5,148,811	\$ 6,075,048	\$ 7,990,912	\$ 9,387,391
Guaranteed Debt	268,641	373,896	465,354	493,175	542,652
Total Debt*	\$ 4,641,574	\$ 5,522,707	\$ 6,540,402	\$ 8,484,087	\$ 9,930,043
Components of Net Debt					
Crown Corporations**	\$ 3,981,561	\$ 4,312,994	\$ 4,728,409	\$ 6,149,277	\$ 6,478,282
Government of Saskatchewan	391,372	651,381	1,162,203	1,657,199	2,724,673
Other	—	184,436	184,436	184,436	184,436
Net Debt	\$ 4,372,933	\$ 5,148,811	\$ 6,075,048	\$ 7,990,912	\$ 9,387,391

* Beginning in fiscal year 1985, all foreign currency debt has been stated in the equivalent Canadian funds based on the exchange rate in effect at March 31 of each year. Prior years' figures have been restated to reflect this change. The effect of this policy has been to increase gross debt of the Province as of March 31, 1987 by \$474 million (\$595 million for 1986 and \$518 million for 1985).

** This debt was issued for the purpose of the Province's Crown corporations, and these entities are responsible for the repayment of interest and principal.

*** The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in fiscal year 1984.

**Government of the Province of Saskatchewan
Gross Debt by Allocation**

At March 31

	1983	1984	1985	1986	Preliminary 1987
	(Thousands of Dollars)				(unaudited)
Reimbursable Debt					
Crown Corporations					
Agricultural Credit Corporation of Saskatchewan	\$ 156,326	\$ 169,843	\$ 169,843	\$1,215,488	\$1,263,843
Agricultural Development Corporation	—	—	7,878	—	—
Crown Investments Corporation of Saskatchewan	349,879	564,215	623,763	706,939	745,848
Farm Purchase Program Fund	—	820	—	—	—
Municipal Financing Corporation of Saskatchewan	—	35,800	54,723	57,724	76,724
Potash Corporation of Saskatchewan	240,933	304,963	371,938	484,782	573,734
Saskatchewan Development Fund Corporation	—	400	—	—	—
Saskatchewan Economic Development Corporation	84,531	86,531	48,147	68,947	57,671
Saskatchewan Housing Corporation	307,913	307,913	317,304	317,304	317,304
Saskatchewan Land Bank Commission	184,436	—	—	—	—
Saskatchewan Mining Development Corporation	373,455	389,073	501,382	555,956	558,317
Saskatchewan Oil and Gas Corporation	25,000	25,000	25,000	—	—
Saskatchewan Printing Corporation	—	—	—	2,176	2,100
Saskatchewan Power Corporation	1,803,092	1,968,509	2,151,206	2,338,200	2,316,210
Saskatchewan Property Management	—	—	—	—	181,993
Saskatchewan Telecommunications	738,930	730,455	764,925	759,871	760,510
Saskatchewan Water Corporation	14,876	14,876	14,876	14,876	14,876
Total Crown Corporations	\$4,279,371	\$4,598,398	\$5,050,985	\$6,522,263	\$6,869,130
Other					
Federal/Municipal	\$ 10,467	\$ 9,928	\$ 9,107	\$ 8,184	\$ 7,899
Investment in Agricultural Land *	—	184,436	184,436	184,436	184,436
University of Saskatchewan **	—	2,263	2,256	2,249	2,242
Saskatchewan Universities Commission **	1,740	—	—	—	—
Total Other	\$ 12,207	\$ 196,627	\$ 195,799	\$ 194,869	\$ 194,577
Total Reimbursable Debt	\$4,291,578	\$4,795,025	\$5,246,784	\$6,717,132	\$7,063,707
Non-Reimbursable Debt					
Government	\$ 395,950	\$ 664,462	\$1,181,469	\$1,682,492	\$2,743,464
Gross Debt	\$4,687,528	\$5,459,487	\$6,428,253	\$8,399,624	\$9,807,171

* The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84. Included in this transfer was \$184,436,000 of debt which is recoverable from the sale of agricultural land.

** The Saskatchewan Universities Commission was dissolved in 1983-84. \$1,740,000 previously recoverable from the Commission is now recoverable from the University of Saskatchewan.

Crown Investments Corporation of Saskatchewan

Introduction

Saskatchewan's Crown corporations are involved in a broad range of activities including the provision of electricity and natural gas, telecommunications, resource development and financial and other services. Certain Crown corporations are commercial enterprises intended to be self-sustaining while others receive an annual appropriation to cover costs of administration and other expenses.

Traditionally the capital requirements of the Province's enterprises have been financed, with few exceptions, through direct obligations of, or advances by, the Province. Provincial legislation governing certain Crown corporations provides for the issuing of securities by these enterprises, with or without a Provincial guarantee. Pursuant to The Department of Finance Act, 1983, all borrowings by Provincial Crown corporations must be approved by the Minister of Finance for Saskatchewan.

Loans and advances to, and investments in, Crown corporations made by the Province are carried at cost without allowance for their individual accumulated surpluses or deficits. In cases where liabilities of a Crown corporation significantly exceed the estimated realizable value of its assets, the loan or investment will be written down.

For administrative purposes, Saskatchewan's Crown corporations are categorized into two separate groups. The commercial enterprises are under the purview of Crown Investments Corporation of Saskatchewan (see narrative below). All other Crown corporations report directly to Treasury Board, a committee of Cabinet.

Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan ("CIC") is a Provincial Crown corporation, without share capital, operating under authority of The Crown Corporations Act, 1978. CIC is responsible for administering Saskatchewan government policy as it relates to those Crown corporations designated as being within the CIC group by Order-in-Council. At December 31, 1986, there were thirteen designated. For administrative purposes, CIC has grouped the corporations into three sectors: resources; utilities; financial and services. The corporations provide a wide variety of services and sell various commodities in both domestic and international markets.

As a group, the corporations incurred a loss of \$128 million for 1986 compared with a loss of \$79 million for 1985. The financial and services sector lost \$8 million in 1986 compared with a loss of \$9 million in 1985. The utility sector was somewhat below 1985 levels with net income of \$29 million compared to \$42 million in 1985. The most significant reduction, however, occurred in the resource sector where a loss of \$75 million was in sharp contrast to the net income of \$4 million achieved in 1985.

During 1986, capital expenditures by the corporations totalled \$565 million, compared with \$643 million in 1985. Since 1982, capital spending of Crown corporations has amounted to \$3,341 million, an average of \$668 million per year. In addition, taxes and royalty payments made to the Province by the corporations were \$94 million in 1986 compared with \$114 million in 1985.

During 1986, total revenues were \$2,124 million, approximately equal to \$2,138 million in the previous year. Total assets under the administration of CIC grew from \$7,063 million in 1985 to \$7,300 million in 1986.

Major corporations in the CIC group are involved in the sale of commodities such as oil, uranium, potash and pulp. In 1986, world prices for commodities generally declined. It can be expected that low world commodity prices, and in particular potash prices, will negatively affect the 1987 consolidated results of the CIC group of corporations.

Four corporations — Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Mining Development Corporation, and Potash Corporation of Saskatchewan — constituted approximately 85 per cent of the total assets of the CIC consolidated group as at December 31, 1986. The following is a brief description of each of these corporations.

Saskatchewan Power Corporation

Saskatchewan Power Corporation ("SPC") was established by Order-in-Council in 1949 and formalized as a Crown corporation by an Act of the Legislative Assembly passed in 1950. SPC provides electricity and natural gas to the residents of Saskatchewan. It generates and delivers electricity to more than 402,000 customers and supplies natural gas to 272,000 customers.

During 1986, SPC continued to expand and upgrade supply and distribution facilities to meet increasing provincial energy requirements. Major capital programs were undertaken by SPC to ensure that the Corporation effectively serves the needs of customers across the province, now and in the future.

The Nipawin hydro-electric project was completed during 1986. To December 31, 1986, \$530 million was spent on the project and more than 2,000 person years of employment were created at the project site. Spending on the Saskatchewan Natural Gas Distribution Program totalled \$61 million during 1986 and natural gas service was extended to an additional 4,699 new rural customers and 1,858 new small community customers.

An initiative to promote public participation in Crown corporations continued in 1986 with the issuance of more than \$85.3 million in Saskatchewan Power Corporation Savings Bonds. These bonds, available only to residents of

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position**

At December 31

	1982	1983	1984	1985	1986
(Thousands of Dollars)					
Assets					
Current	\$ 785,447	\$ 732,106	\$ 769,700	\$ 751,208	\$ 759,229
Investments	525,743	472,857	470,254	492,078	704,763
Property, Plant & Equipment	4,390,717	4,971,790	5,172,967	5,508,219	5,559,805
Deferred Charges	155,128	215,574	274,266	311,197	275,880
Total Assets	\$5,857,035	\$6,392,327	\$6,687,187	\$7,062,702	\$7,299,677
Liabilities and Province's Equity					
Current	\$1,157,345	\$1,091,706	\$1,117,326	\$1,403,442	\$1,342,386
Deferred Revenue and Minority Interest	66,068	130,014	109,363	76,280	233,972
Long-term Debt	3,179,479	3,764,343	3,991,085	4,285,610	4,537,083
Province's Equity	1,454,143	1,406,264	1,469,413	1,297,370	1,186,236
Total Liabilities and Province's Equity	\$5,857,035	\$6,392,327	\$6,687,187	\$7,062,702	\$7,299,677

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations**

For the Year Ended December 31

	1982	1983	1984	1985	1986
(Thousands of Dollars)					
Revenue					
Sales of Product & Services	\$1,613,648	\$1,768,199	\$1,994,592	\$1,996,406	\$1,979,941
Revenue from Investments	80,730	75,783	56,223	69,836	71,017
Other	40,870	50,589	61,105	72,069	73,597
Total Revenue	\$1,735,248	\$1,894,571	\$2,111,920	\$2,138,311	\$2,124,555
Expenses					
Operating Costs other than those listed below	\$1,270,729	\$1,303,500	\$1,229,264	\$1,316,911	\$1,326,269
Interest	294,003	320,421	426,872	484,468	527,880
Depreciation and Depletion	201,868	216,453	271,394	282,724	305,984
Saskatchewan Taxes and Resource Payments	94,642	110,084	125,082	114,359	94,098
Total Expenses	\$1,861,242	\$1,950,458	\$2,052,612	\$2,198,462	\$2,254,231
Earnings before Extraordinary Items and Minority Interest	\$ (125,994)	\$ (55,887)	\$ 59,308	\$ (60,151)	\$ (129,676)
Extraordinary Items and Minority Interest	—	—	7,684	(19,094)	1,462
Net Earnings (Loss)	\$ (125,994)	\$ (55,887)	\$ 66,992	\$ (79,245)	\$ (128,214)

Note: During 1984, the Municipal Financing Corporation of Saskatchewan and The Saskatchewan Government Printing Company were transferred out of the Crown Investments Corporation of Saskatchewan consolidated group of corporations. The 1983 results have been restated to reflect this transfer as follows: consolidated assets reduced by \$84.9 million, consolidated liabilities reduced by \$86.9 million, consolidated reinvested earnings increased by \$2 million, and consolidated loss increased by \$1.1 million. For the year 1982 the results have not been restated.

Saskatchewan, carry a minimum rate of interest of 8.75 per cent and are guaranteed by the province. The bond issue was designed to provide a safe, secure investment for provincial residents, to provide a vehicle through which Saskatchewan savings could be invested in the Province and to provide the Corporation with an alternative to conventional lending institutions for some of its financial requirements.

The Corporation recorded an overall consolidated loss of \$10 million in 1986 (\$1 million net income in 1985). Rates for electricity increased by an average of 7.5 per cent on October 3, 1986. On March 3, 1986, the Public Utilities Review Commission ordered the Corporation to refund by May 1, 1986, a total of \$4.3 million to all gas customers on an equal cents per cubic meter basis, according to their 1985 gas consumption. This refund was reflected in the Corporation's results for 1985.

Saskatchewan Telecommunications (SaskTel)

Saskatchewan Telecommunications ("SaskTel") constructs, maintains and operates a Provincial telecommunications system in concert with similar systems throughout Canada. SaskTel's objective is to serve the communications needs of Saskatchewan residents economically and effectively. The corporation operates according to a philosophy of "rate averaging" to ensure universal access to services.

SaskTel's experience in installing and operating the world's first large commercial fibre optic system has made it a leader in a technology that is in demand all over the world. In 1986, SaskTel International Inc., a wholly owned subsidiary, was formed to market its expertise in fiber optics and other telecommunications technologies to countries throughout the world.

During 1986, SaskTel initiated a five year, \$264 million program to virtually eliminate multi-party lines throughout the province and upgrade some 70,000 rural customers to individual line service. In conjunction with this program, SaskTel is replacing most of its older central office switching equipment with state-of-the-art digital systems. This \$128 million project has been accelerated so that both programs will be completed in 1991.

Other important developments included a record 738,709 telephones now in service in Saskatchewan and an all-time high of 110.7 million long distance messages originating in Saskatchewan.

SaskTel recorded a profit of \$36.5 million in 1986, down just slightly from the record \$37 million attained in 1985. Revenues increased from 1985 levels, primarily due to a growth in long distance calling. For the second year in a row, SaskTel revenues exceeded \$400 million. Interest and related costs remained at 1985 levels due to increased sinking fund earnings partially offset by a slight increase in interest on long-term debt. SaskTel did not seek a general rate increase from the Public Utilities Review Commission in 1986. The Corporation's last general rate increase was in 1983.

Saskatchewan Mining Development Corporation

Saskatchewan Mining Development Corporation ("SMDC") is involved in the exploration for and development of uranium

and other hard rock minerals, excluding potash and sodium sulphate. Most of SMDC's activities are conducted on a joint venture basis with private sector partners.

The Key Lake mine located in Northern Saskatchewan, in which SMDC holds a 50 per cent interest, produced over 12.5 million pounds of uranium oxide (U_3O_8), or about 105 per cent of its annual rated capacity of 12 million pounds. The Cluff Lake mine also located in Northern Saskatchewan, in which SMDC holds a 20 per cent interest, completed its sixth year of successful commercial operation producing 2.2 million pounds of U_3O_8 in 1986.

The Cigar Lake Mining Corporation, in which SMDC is a 50.75 per cent shareholder, continued the development of a uranium mine at Cigar Lake in Northern Saskatchewan. This international joint venture operating company has a mandate to develop the Cigar Lake deposit, the world's richest uranium orebody. Drill indicated reserves are estimated at 285 million pounds U_3O_8 with an average ore grade of 14 per cent and a further 100 million pounds U_3O_8 at an average ore grade of nearly 5 per cent U_3O_8 . During 1986 a proposal to develop an underground test mine was submitted to Saskatchewan Department of the Environment. The test mine entry will provide an opportunity to assess possible mining methods. A production decision is to be made by 1990.

Construction of the Star Lake gold mine and mill in Northern Saskatchewan, in which SMDC has a 50 per cent interest and acts as operator, was completed in 1986. Production commenced in January of 1987. Indicated reserves are approximately 230,000 tons at 0.50 ounces of gold per ton. On-going exploration on the Star Lake property is expected to increase these reserves.

SMDC continued in 1986 with a more diversified exploration program that emphasized grassroots gold exploration and to a lesser extent, participation in other precious and base metals programs. In contrast, the uranium exploration program centers on well-developed properties where work is concentrated on delineating potential orebodies or establishing reserve levels.

SMDC reported net income of \$30.4 million in 1986 (compared to \$18.0 million in 1985) on uranium sales of \$179.9 million to Canadian, American, Western European and Asian utilities. Cash provided by operations reached \$110.5 million during 1986. This was an increase over the 1985 operating cashflow of \$100.8 million. A dividend of \$15.0 million was declared and represents the fifth consecutive year that SMDC has paid dividends to the Province.

After capital expenditures and dividend payments, net debt obligations of the Corporation were reduced by \$46.2 million for the year. Debt reduction for the last two years exceeded \$80 million.

Potash Corporation of Saskatchewan

Potash Corporation of Saskatchewan ("PCS") is the western world's largest producer of potash. Potash is a major component of agricultural fertilizer.

PCS, through its wholly owned subsidiary, Potash Corporation of Saskatchewan Mining Limited, has five operating divisions at five separate mine sites. Three mines are wholly owned, one mine is 60 per cent owned, and one holding is in the

form of ownership of potash ore reserves which are processed under a long-term operating agreement with International Minerals and Chemical Corporation.

Potash Corporation of Saskatchewan Sales Limited (a wholly owned subsidiary of PCS) directly markets PCS's production to the United States and within Canada. The remaining potash is sold through Canpotex Limited, a marketing group representing all Saskatchewan potash producers that sell potash outside North America.

PCS reported a net loss of \$103.4 million in 1986 (compared to a \$68.7 million net loss in 1985). Sales revenues in 1986 were \$190 million on sales of 3.8 million tonnes KCl (12% higher than in 1985). Sales in North America continue to be weak as a result of both low income levels in the farm sector and action by the United States government to limit acreages planted. Continuing excess supply of potash forced potash prices to decline still further to a level of 13 per cent below average achieved in 1985. Losses on foreign exchange contracts in the amount of \$38.1 million also contributed to the net loss for 1986.

On February 10, 1987, Lundberg Industries Ltd. and New Mexico Potash Corporation filed a petition with the International Trade Administration, United States Department of Commerce, and the United States International Trade Commission for the imposition of anti-dumping duties against imports of Canadian produced muriate of potash alleged to be the cause of or to threaten material injury to the United States industry.

In March, 1987 a preliminary finding of injury was made by the U.S. International Trade Commission in favour of the U.S. industry against potash imported from Canada. In August, 1987 preliminary anti-dumping margins for Canadian producers were announced by the Department of Commerce. PCS's preliminary margin was set at 51.9%. Final decisions are expected January 8, 1988 on anti-dumping margins and on February 22, 1988 on injury analysis. The corporation, as a party in the investigation, continues to deny the allegations.

For further information or
additional copies contact:

Saskatchewan Finance
2350 Albert St., 9th Floor
Regina, Saskatchewan S4P 4A6
(306) 787-6768

Hon. J. Gary Lane, Q.C.
Minister of Finance

Keith Laxdal
Acting Deputy Minister
of Finance